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Progress in the implementation of the recommendations from the after-action review of storm Sandy

Report of the Secretary-General

Summary

The present report is submitted pursuant to General Assembly resolution 67/254 A, wherein the Assembly requested the Secretary-General to present comprehensive information on the work of the after-action review of storm Sandy (see para. 7 of part II and para. 4 of part IV) and also requested information on risk mitigation through the insurance market for United Nations installations exposed to natural hazards and emergencies (see para. 17 of part IV).

The report provides a description of the steps taken in preparation for the arrival of the storm, the impact of the storm on Headquarters and the main recommendations and action taken in the following key areas:

(a) Governance of the crisis management programme;

(b) Information and communications technology;

(c) Physical infrastructure;

(d) Communications;

(e) Support to staff.

The report provides a description of enhancements in emergency management resulting from the after-action review process, the recommendations of which are being mainstreamed into the Headquarters emergency management programme.

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The General Assembly may wish to consider the report in conjunction with the report of the Secretary-General on progress in the implementation of the organizational resilience management system (A/68/715), which has been submitted pursuant to paragraph 6 of part II of resolution 67/254 A.

The General Assembly is requested to take note of the report.

I. Background

1. On Monday, 29 October 2012, New York was affected by an unprecedented and severe weather event known as storm Sandy. The storm caused widespread damage and destruction along its path through the Caribbean and the north-east states of the host country and surrounding areas in particular. The risk of flooding from the storm, which made landfall near Atlantic City, New Jersey, coinciding with a full moon and a rising tide, led New York City officials to evacuate residents from flood zones and to close the New York airports, bridges, tunnels and public transportation. This significantly limited the ability of staff to gain access to United Nations offices. After the storm made landfall, strong winds and flooding caused widespread power losses, reducing the ability of staff to telecommute.

2. The Secretariat has consolidated and reinforced the strategic investments made by Member States and approved by the General Assembly in support of pandemic preparedness through the development and implementation of an emergency management framework in the form of an organizational resilience management system. The organizational resilience management system was recently approved by the Assembly in its resolution 67/254 A, having been piloted at Headquarters since 2010. Following the Headquarters crisis management and business process recovery timeline developed under the organizational resilience management system (see annex), the lead departments for emergency management — the Department of Management and the Department of Safety and Security — took preventive and preparedness measures and made concerted efforts in advance of the storm, in addition to response and recovery action to maintain business continuity and return to normal operations.

3. That action notwithstanding, owing to the severity of the storm and the resulting flooding, the Secretariat complex sustained damage affecting the Organization's operations. While the core infrastructure of the Secretariat premises was assessed as being intact, significant damage to plant and equipment was sustained on the third and lower levels of the basement, most notably to the chiller plant, operations-related spaces and printing facilities.

4. While recognizing the effort and ingenuity of staff in maintaining the Organization's critical functions during and after the storm, the Secretariat recognized that there was a need to capture lessons learned from the storm preparedness and response efforts and conducted a formal after-action review process led by the Chef de Cabinet. Five interdepartmental working groups, each headed by an Under-Secretary-General or an Assistant Secretary-General, were established to review the following key pillars:

(a) Governance of the crisis management programme;

(b) Information and communications technology;

(c) Physical infrastructure;

(d) Communications;

(e) Support to staff.

5. A total of 25 recommendations aimed at enhancing organizational resilience were distilled from the reports prepared on each of those pillars and assigned to the appropriate department heads for implementation (see sect. IV).

6. An interim governance mechanism under the Chef de Cabinet and comprising the heads of the departments responsible for the implementation of the recommendations (Department of Management, Department of Safety and Security, Department for General Assembly and Conference Management and Department of Public Information) was established in January 2013 to oversee the implementation of the recommendations from the after-action review, the status of which was examined quarterly. In November 2013, governance of the after-action review process was mainstreamed into the Headquarters emergency management programme as part of the organizational resilience management system, overseen by the Senior Emergency Policy Team.

7. The present report provides a description of the steps taken in preparation for the arrival of storm Sandy and the subsequent impact of the storm on Headquarters, so as to provide context for the action that followed. It provides an explanation of the subsequent enhancements in emergency management practice resulting from the after-action review process and how the recommendations and actions arising from their implementation are being mainstreamed into the Headquarters emergency management programme.

8. The present report also provides an update on the status of the remediation work on the physical infrastructure of the Secretariat premises and the mitigation measures being put in place. In association with those efforts, an insurance claims recovery process is continuing. The present report provides an update on that process and information on the Organization's risk mitigation through the insurance markets, as requested by the General Assembly in part IV of its resolution 67/254 A.

II. Steps taken in preparation for the arrival of the storm

9. Risk management is the foundation of the organizational resilience management system. Accordingly, offices within the lead departments for emergency management at Headquarters — the Department of Management and the Department of Safety and Security — continually scan the environment for emerging threats that could disrupt operations. After recognizing the potential for storm Sandy to affect the New York City region, the Secretariat, in close contact with the host city and host country authorities, collectively reviewed priority activities. Preparedness measures, including messaging to staff, were taken ahead of the storm.

10. Guided by the storm-related information communicated by the host country and municipal authorities, the Secretariat implemented extreme weather safety inspections and preparedness protocols. For example, a hurricane ride-out team comprising staff who were expected to be needed on site during the storm and its aftermath was mobilized and provided with support materials.

11. Messages containing general preparedness information were sent to permanent missions and staff in the days before the arrival of the storm. The Crisis Operations Group, the interdepartmental and inter-agency group responsible for crisis preparedness and response at Headquarters, was kept apprised of the evolving nature of the storm and its potential impact.

12. The Secretariat maintained contact with the New York City Office of Emergency Management and the Federal Emergency Management Agency to obtain

regular updates on the storm. On Sunday, 28 October, in response to forecasts of increased storm strength and intensity, the Mayor of New York City announced the closure of all bridges, tunnels and public transportation. On the basis of that information, additional staff were mobilized to support preparatory measures and damage control and to assist with the primary data centre at the United Nations complex.

III. Impact of the storm on Headquarters

13. Reflecting the effective preparedness measures taken, material damage to Headquarters caused by extensive flooding was contained to the third, fourth and fifth basement levels of the General Assembly, Conference, Secretariat and North Lawn Buildings. In addition to the loss of the digital printers that produced 95-99 per cent of all official documents, the inundation of the main chiller plant on the fourth and fifth basement levels and flood damage to the switchgear, transformers and distribution panels for the secondary chiller plant resulted in the loss of the cooling system. Following a shutdown of the steam service to Headquarters by the ConEdison utility company on Sunday, 28 October, Headquarters was also left without heating until Friday, 9 November.

14. On the evening of Monday, 29 October, the loss of the cooling system led to a temperature spike in the servers in the primary data centre on the second basement level of the North Lawn Building. To prevent irreparable damage to the equipment, an urgent shutdown was executed. Given the urgency of the shutdown, the failover of systems to the secondary data centre in Piscataway, New Jersey, was disrupted, resulting in the interruption of core information and communications technology services, although no data were lost. In this context, and to ensure that essential functions continued, the Crisis Operations Group decided to return all systems to the primary data centre on Wednesday, 31 October, a process that was completed by noon on Thursday, 1 November.

15. Disruptions to the host city and regional infrastructure restricted the ability of staff to gain access to Headquarters. This, combined with the significant damage to Headquarters, led to the subsequent decision to close the complex for normal operations from Tuesday, 30 October, to Thursday, 1 November. Nevertheless, essential functions continued. The Security Council met in the North Lawn Building on Wednesday, 31 October, and departments implemented recovery strategies to continue to support United Nations field operations. Some meetings were supported on Thursday, 1 November, including a plenary meeting of the General Assembly, and staff returned to the main building on Friday, 2 November.

IV. Main recommendations and action taken

16. The central lessons learned from the storm response embodied in the recommendations arising from the after-action review demonstrate the value of the organizational resilience management system approach, specifically the need for integrated emergency management planning, harmonized governance and response structures and forward behavioural change. As stated in paragraph 4, the after-action review was focused on five pillars and produced 25 recommendations to enhance

organizational resilience. The action taken to implement the recommendations reflects the central lessons learned.

Governance of the crisis management programme

17. Emergency management depends upon the timely identification of emerging risks that could disrupt operations and the ability of the Organization to take preparedness action to prevent and mitigate those risks and effectively respond to them through the integrated effort of all emergency management disciplines. The Secretariat has strengthened its capacity in this regard by enhancing its operational risk framework, regularly exercising the crisis decision-making structures and department recovery strategies and reviewing and updating emergency management plans, including the Headquarters business continuity plan, the pandemic preparedness plan and the information technology disaster recovery plan.

Information and communications technology

18. Information and communications technology, including connectivity and access to vital records, provides the scaffolding for the Organization's operations, meaning that any loss causes significant disruption. Under the auspices of the information technology disaster recovery plan, the list of enterprise-critical applications is validated, with corresponding failover tests conducted regularly. An internal communications strategy to keep all stakeholders informed about the status and availability of systems and services, during and after an event, is included in the information technology disaster recovery plan.

Physical infrastructure

19. The Headquarters complex was heavily damaged by flooding during the storm. Accordingly, the focus of physical infrastructure improvements has been remediation against future extreme weather events that could present a similar risk. To this end, storm preparedness practices were strengthened by updating extreme weather plans. Business continuity arrangements were reinforced by confirming processes to collaborate with Member States to accord priority to the availability of meeting services and examine standby arrangements for the use of equipment, facilities and services in the aftermath of an extreme weather event.

20. Physical infrastructure was also strengthened against flooding. The Engineer of Record of the capital master plan completed the assessment. Pursuant to the proposed mitigation actions detailed in the report of the Secretary-General on revised estimates relating to section 34 of the programme budget for the biennium 2012-2013 for remediation work in the aftermath of storm Sandy (A/67/748), the Office of the Capital Master Plan is proceeding to relocate some equipment to higher levels and to create water-resistant compartments to protect electrical components from potential future flood risk. Existing chilling capacity is sufficient to provide cooling for the primary data centre. To improve the sustainability of chiller plant functions, temporary chillers for the building are in place and have been protected from flooding. To protect fire safety systems, two new fire pumps — one automatic and one manual — have been installed on the second basement level. The associated electrical components for the chiller plants and fire safety systems have been relocated to the second basement level.

Communications

21. During a crisis, demand for information is great. It follows that the Organization must be able to communicate with all stakeholders — Member States, partner agencies, staff and contractors — to explain and gain support for its preparedness and response actions.

22. The impact of the storm on the Secretariat's information and communications technology systems and the local infrastructure posed particular challenges to successful communication. In response, the Secretariat has created a single emergency information website for staff and Member States, with integrated automated text messaging and e-mail functionality to provide subscribers with emergency alerts. The iSeek and United Nations websites have been made locally resilient so that they will be available even if the primary data centre is lost.

23. Given their importance, crisis communications were included separately in the organizational resilience management system following the storm. An updated crisis communications checklist has been developed, reflecting lessons learned during the storm response, and included in the organizational resilience management system playbook. The crisis communications mechanism and the timeliness of messages will be enhanced through the establishment of an emergency operations centre to support the Crisis Operations Group during events.

Support to staff

24. The Organization recognizes that supporting staff during a crisis is critical. To enrich staff communications, it has expanded the use of social media to communicate with staff during a crisis event and is encouraging staff to share their experiences. For example, the Emergency Preparedness and Support Team Facebook page is now used to regularly communicate key preparedness messages and as another means of transmitting emergency alerts. Under the maintenance, exercise and review programme for the organizational resilience management system, departments regularly exercise and test telephone tree communications.

25. As stated in paragraph 16, the after-action review process produced 25 recommendations to enhance organizational resilience. The table details the recommendations by pillar to enhance organizational resilience and provides a description of the action taken to implement them. Continuing actions have been integrated into the Headquarters improvement plan and have thus been mainstreamed into the emergency management programme.

Main recommendations and action taken

Recommendation	*Action taken*
Pillar 1: Governance of the crisis management programme	
1. The awareness of senior leadership and critical staff of the Crisis Operations Group and the Senior Emergency Policy Team regarding crisis management roles and responsibilities needs to be strengthened.	An orientation and training programme has been established for all new Crisis Operations Group and Senior Emergency Policy Team members and annual simulation exercises are being held.

Recommendation	*Action taken*
2. Mechanisms to assess risk should be reviewed.	An updated risk management framework has been produced and piloted.
3. Existing United Nations infrastructure and capacities should be leveraged in the event of a crisis.	In addition to telecommuting, accommodation options for the Crisis Operations Group and the Senior Emergency Policy Team have been identified that leverage system-wide United Nations infrastructure available in New York.
4. Contingency planning for major events should be reviewed.	The pandemic influenza preparedness plan and the business continuity plan for Headquarters have been updated. A business continuity plan for the Security Council is currently under consideration by Member States.
5. Periodic testing of the integrated emergency management framework is required.	The maintenance, exercise and review programme was approved by the Senior Emergency Policy Team in November 2013.
Pillar 2: Information and communications technology	
6. Failover of all critical systems in case of a shutdown of the emergency primary data centre should be automatic.	Failover tests of enterprise-critical systems have been established to validate, and automate, wherever feasible, existing recovery procedures.
7. A clear and consistent methodology to identify systems designated as critical should be implemented.	A draft methodology has been prepared to identify core information technology applications. A pilot is under way for validation.
8. The Citrix mobile office system should be fully backed up by the secondary data centre.	Mobile office functionality is fully backed up by the secondary data centre and tested regularly.
9. Communications plan to provide users with information about systems availability during crisis periods should be established.	An internal communications strategy has been included in the information technology disaster recovery plan.
Pillar 3: Physical infrastructure	
10. Storm preparedness practices should be strengthened.	Standard operating procedures for infrastructure preparedness in the event of storms and the capital master plan weather emergency plan have been updated.
11. An infrastructure assessment should be carried out.	The Engineer of Record of the capital master plan has completed the assessment.

Recommendation	*Action taken*
12. The sustainability of chiller plant functions should be enhanced.	Existing chilling capacity is sufficient to provide cooling for the primary data centre. Flood-protected temporary chillers for the building are in place.
13. Electrical and fire prevention installations should be reviewed based on lessons learned.	Two new fire pumps have been installed on the second basement level and associated electrical components relocated to the same level.
14. The process to prioritize the availability of meeting services should be confirmed.	Crisis protocols have been established for conference services to identify available meeting rooms and related infrastructure for priority meetings.
15. Functions or services deemed vital for the functioning of Headquarters should be identified and plans established to ensure business continuity.	Departments have validated their critical functions as part of the annual update of the business continuity plan at Headquarters.
16. Standby arrangements with vendors for emergency clean-up work, or for the use of equipment, facilities or services in the aftermath of an event, should be considered.	Procurement action to identify possible locations and lease negotiations is under way.
Pillar 4: Communications	
17. The creation of one emergency website should be evaluated.	The site has been deployed.
18. An enhanced crisis communications mechanism and checklist should be established.	An updated crisis communications checklist has been included in the organizational resilience management system playbook, an integrated response tool. An emergency operations centre will support the Crisis Operations Group during events.
19. Mechanisms to ensure timeliness of communications with target audiences should be put in place.	
20. Mechanisms to ensure effective communications with permanent missions in emergency situations must be established.	The list of e-mail addresses, fax and telephone numbers for emergency contacts at the permanent and observer missions is centrally maintained. Permanent and observer mission staff have also been encouraged to sign up for alerts on the emergency website.
21. Access to iSeek and key segments of the United Nations website should be ensured.	iSeek and the United Nations website (www.un.org) are locally resilient and available in the secondary data centre. The possibility of using the data centres in Brindisi, Italy, and Valencia, Spain, for global resilience is under review.

Recommendation	Action taken
Pillar 5: Support to staff	
22. Systems for staff communications by the Office of Human Resources Management in emergencies should be reviewed and enhanced.	Back-up systems for emergency bulletins have been enhanced and integrated into the emergency website.
23. Departments and offices should ensure that effective mechanisms to communicate with staff during emergency periods are in place.	All departments have developed and tested telephone trees to contact staff.
24. Support services for staff required to work in the Headquarters complex during emergency periods should be reviewed.	Requirements have been identified and sourced by the appropriate departments.
25. Measures to ensure processing of salaries during emergency periods should be established.	An emergency payroll process is in place.

V. Status of physical infrastructure remediation and mitigation activities

26. As discussed in paragraph 5 of the report of the Secretary-General on revised estimates relating to section 34 of the programme budget for the biennium 2012-2013 for remediation work in the aftermath of storm Sandy (A/67/748), robust coverage for the United Nations under two complementary insurance policies was in effect in October 2012 when the storm affected Headquarters and the surrounding region: a global property insurance for buildings managed by the Facilities Management Service (i.e. not related to the capital master plan) and the builders' risk insurance, which covered buildings and building materials under construction during the capital master plan.

27. Since the issuance of that report in February 2013, offices of the Department of Management have worked diligently and closely with the Organization's consultants and insurers to implement the remediation activities covered by the insurance programmes discussed above and to coordinate with the insurers to receive or plan for financial compensation for the damage. As at January 2014, the Organization had recovered $64.169 million in costs incurred for works relating to the storm and anticipates further recoveries, including up to $12 million in the next month.

28. In paragraph 10 of part IV of its resolution 67/254, the General Assembly authorized the Secretary-General to enter into commitments in the biennium 2012-2013 of up to $131.421 million to enable remediation work. By the end of that biennium, the Secretary-General had utilized $62.140 million for commitments relating to recoverable work linked to storm Sandy.[1] The achievement in insurance

[1] As distinct from the commitment authority authorized in respect of non-recoverable remediation works, which were reported upon in the context of the second performance report of the Secretary-General on the programme budget for the biennium 2012-2013 (A/68/628).

recoveries to date means that the Secretary-General requires no further authority to enter into commitments beyond the $62.140 million utilized in 2013. For 2014, the Organization can finance the remaining recoverable work relating to the storm from the reimbursed moneys that it has already received under its insurance programme.

29. In paragraph 13 of part IV of the same resolution, the General Assembly requested the Secretary-General, subject to the outcome of the insurance recovery efforts and the Secretariat's prioritization of equipment and other content whose replacement was essential, to make efforts to minimize expenditure by seeking efficiencies during the course of the remediation work. Those efforts are continuing and satisfactory progress is being made. The Secretary-General will report on the outcome when the process is closer to completion.

30. In addition to the recoverable remediation measures being carried out, and as presented in the report discussed above, the effects of the storm highlighted the need to mitigate the Organization's exposure to future damage to critical infrastructure, including the chiller plant, from flooding in the basement levels. Although such activities were not covered by insurance, it was considered prudent to implement key improvements in the basement levels to ameliorate risk in the event of another flood.

31. The overall scope of remedial activities following storm Sandy was formally established and communicated to the General Assembly in paragraph 11 of the above-mentioned report of the Secretary-General.

32. In addition, requirements of $6.063 million for mitigation measures, i.e. lessons-learned activities, were presented in paragraphs 19 and 20 of the same report. The Secretary-General, in his second performance report on the programme budget for the biennium 2012-2013 (A/68/628), stated that the full amount of $6,063,400 would be utilized. It is now confirmed that expenditure for the mitigation work amounted to $6,063,200, which represents (materially) complete utilization of the appropriated amount, under section 34, Construction, alteration, improvement and major maintenance, of the programme budget for the biennium 2012-2013.

33. As discussed in points 11-13 of the table in section IV, the Department of Management, through the combined efforts of the Office of the Capital Master Plan and the Office of Central Support Services, developed a programme of action to relocate some equipment above the revised floodplain level and to create water-resistant compartments to protect electrical components in the event of a flood in the future.

34. Notable achievements to date include the repairs to the cooling system. During the course of repair work to the chiller infrastructure, it was necessary to provide backup chilling capacity. Temporary chillers were installed for this purpose in locations that were protected from flooding. In addition, and as summarized in section III, two new fire pumps were purchased and installed on the second basement level. Associated electrical components have been relocated to the second basement level.

35. To undertake the post-storm remediation and mitigation work, the Department of Management took advantage of the Organization's established business model and is achieving operational efficiency by using existing contracts awarded by the United Nations through a competitive bidding process. At the inception of the

capital master plan, the Secretariat selected a business model whereby a single construction manager would be responsible for the overall project deliverables. Since the selection and award of the construction management contract to the construction manager, the Secretariat has subsequently followed that model and awarded more than 20 guaranteed maximum price contracts, each consisting of dozens of competitively bid contracts. Several hundred such contracts have been executed and audited under the Organization's contracts with Skanska. The work includes the guaranteed maximum price contracts for the basements, which are being used to perform most of the post-storm work through established contract amendment mechanisms. All change orders for the chiller plant repairs and other repairs relating to storm Sandy are being submitted by vendors that have already previously been selected through the competitive process and therefore do not require a new selection process.

36. The construction manager of the capital master plan performs continuing services and serves as a vehicle for the procurement of equipment and labour by using its network of subcontractors. When changes in scope occur either as a result of unforeseen conditions (such as storm damage) or client requests, there is a mechanism to adjust the construction manager's contract accordingly. This is the process that is being followed for the post-storm works. This arrangement helps to mitigate additional mobilization costs that would be incurred if the Organization contracted new vendors. To maximize recovery of costs under the insurance policies, the Secretariat is working with the claims experts to present and recover impact costs from the insurance companies. All change orders for post-storm works have been reviewed by the Headquarters Committee on Contracts.

37. Similarly, several architectural, engineering and other professional firms have been selected through a competitive process and subsequently issued with contract amendments to reflect developments relating to the capital master plan over the past several years. They too are being tasked with performing post-storm services as amendments. For reasons of professional responsibilities, cost and time, this procurement process was continued to address remedial requirements arising from storm Sandy.

38. As at January 2014, approximately 81 per cent of the contracted remediation work had been completed, with full completion expected by the end of May 2014.

39. Construction remediation works planned but not yet under contract include the following activities:

(a) Modifications to the building management system required for the chiller plant and modular chiller system;

(b) Third basement level of the Conference, Secretariat and South Annex Buildings:

(i) Repairs to the security system;

(ii) Raising of air handling units;

(iii) Replacement of electrical equipment;

(iv) Repairs to plumbing systems;

(v) Replacement of the coiling doors for the service drive;

(vi) Electrical work associated with elevators;

(vii) Restoration of doors, walls and floor finishes;

(c) Emergency and temporary work: removal of temporary chillers for the service drive.

VI. Risk mitigation through the insurance market

40. In paragraph 17 of part IV of its resolution 67/254, the General Assembly requested the Secretary-General to closely monitor the insurance market, including all means of risk mitigation, with a view to securing adequate coverage at a reasonable cost for all United Nations installations exposed to natural hazards and emergencies and to report thereon.

41. The Secretariat has a dedicated team of risk management professionals located in the Insurance and Disbursement Service of the Accounts Division. It is tasked with ensuring that the insurance requirements of the Secretariat are efficiently and optimally fulfilled. It is continually engaged to ensure that it provides comprehensive coverage at the best value for money for the Organization, while also attentively monitoring outstanding claims.

42. To achieve the above, the team works with its insurance brokers to reach out to international insurance markets to disseminate information about United Nations operations and insurance requirements and to encourage greater participation in the Organization's insurance programmes. This includes providing periodic presentations detailing the risk exposure and safety and risk mitigation procedures to existing and potential underwriters. The information allows the insurers to more accurately assess the risk profile, thus increasing their comfort level and interest in participating in United Nations programmes. For example, the feedback received for the vehicle safety presentations and the aviation operations overview has been very favourable. Face-to-face meetings with a number of underwriters from varied markets to discuss the aviation liability exposure contributed to a greater interest in the programme, allowing the Organization to lock in favourable rates with multi-year renewal commitments.

43. The insurance brokers' experts on different markets use their deep industry knowledge and experience, together with their understanding of the requirements of the Organization, to conduct a comprehensive marketing exercise before every insurance policy renewal. The brokers provide valuable insights into the state of the insurance markets. The timely market information allows the Organization to make well-informed operational decisions, such as locking in rates with multi-year policies when the insurance market is soft and prices are expected to rise in the future or negotiating more favourable terms for the insurance policies. Having expert focal points covering varied markets at different brokers allows the Organization to promptly respond to new and urgent requirements.

44. In recent years, a number of efficiency gains and improvements have been introduced, including:

(a) The elimination of a full reconciliation provision in several policies has reduced the administrative overhead for both the United Nations and the insurers (e.g. move to a lump-sum payment for the insurance of the shipments of the Organization);

(b) Broadened coverage under the malicious acts insurance policy to include nuclear, chemical and biological terrorism risks at no additional cost;

(c) For foreign auto third-party liability coverage, the most cost-effective solution is sought through the worldwide vehicle insurance programme, which allows the Organization to either purchase primary coverage or excess/difference-in-condition coverage in conjunction with a primary local policy. In several countries, the option of purchasing a primary local policy, supplemented by the excess/difference-in-condition coverage under the worldwide policy, turns out to be the most cost-effective solution.

45. In some instances, the risks themselves have been mitigated, thus reducing the level of insurance protection required. The changes relating to the capital master plan have resulted in a lesser risk under the terrorism policy for Headquarters. Repairs to the complex in the aftermath of storm Sandy incorporate mitigation changes that lessen the potential impact of flooding. Loss-control mechanisms have been put in place over the years to improve road safety and in turn reduce the frequency of road traffic accidents. Those mechanisms include a global road and driving safety policy, a traffic safety advisory committee, driver testing and electronic vehicle monitoring systems. Coverage under the malicious acts insurance policy is contingent upon compliance with the Organization's security guidelines and procedures.

46. The insurance policies often include other organizations of the United Nations common system, as appropriate, to achieve economies of scale.

Forms of self-insurance in use by the Organization

47. The Organization currently self-insures against the following risks based on statistical models developed internally with historical information:

(a) A reserve fund was established to cover third-party injury, death or damages to property occurring at the Headquarters complex. Under section 32, Special expenses, of the programme budget, a contribution of $200,000 per biennium is made to the dedicated reserve;

(b) The Organization self-insures the risk for its health insurance and workers' compensation programmes through health insurance reserves funded by both the participants and the Organization, workers' compensation reserves funded from a staff-costs-based accrual for extrabudgetary resources and through the programme budget under section 32, Special expenses, for the workers' compensation scheme;

(c) The malicious acts insurance policy is an inter-agency programme that provides coverage to personnel from participating organizations for death or injury as a result of a malicious act. It currently maintains an annual deductible of $2 million that is shared by all 30 participating organizations and is used to settle the first claims up to $2 million. The deductible, a form of self-insurance, is administered by the Secretariat and any unused portion thereof is returned to the participating organizations;

(d) The Organization is self-insured with regard to physical damage sustained by its vehicles. Any repair or replacement cost for physical damage is borne by the respective mission or office.

48. The Secretariat could consider moving, over time, some additional risks to self-insurance mechanisms, which may lead to savings. This approach would, however, require building up corresponding reserves. The following types of risk could bear a higher amount of self-insurance:

(a) The mobile equipment policy provides coverage for third-party bodily injury and/or property damage by mobile equipment when the legal liability of the United Nations has been established. Considering the low probability of the risk, this policy could be covered through a reserve fund similar to that established to cover third-party injury, death or damages to property occurring at the Secretariat complex in New York;

(b) The introduction of higher deductibles for policies that currently do not have a deductible or have a low deductible, and which have had infrequent losses over the years, would increase the reliance on self-insurance. While continuing to self-insure against catastrophic or significant losses, the United Nations would also self-insure against the risk of small to medium losses. The cash-in-transit and master aviation liability policies could fall under this category;

(c) For insurance policies with a very low frequency or probability of high-severity claims, the United Nations could consider lowering upper insurance limits if it had an adequate reserve to be drawn upon for significant losses beyond the upper limit and if the corresponding premium reduction was found to be cost-effective. The worldwide auto liability policy has a limit of $2 million per occurrence. Given that most of the claims are of a small nature, and considering that significant claims remain mostly under $500,000 and that the upper limit has never been reached, a reduction to the upper limit could be explored at the next renewal.

49. A captive insurance company provides risk-mitigation services for its parent entity as an alternative to obtaining coverage directly from insurance companies, usually when an organization is unable to find an insurer for a particular business risk at an acceptable price. In addition, the use of such a company usually allows direct access to the reinsurance market and provides tax incentives for commercial organizations. The latter would not be relevant for the United Nations.

50. Establishing and running a captive insurance company to a degree mirrors operating an insurance company, including complying with applicable regulations. For example, it is necessary to maintain a required capitalization, to utilize underwriting and set market premium rates and to secure board membership. While the mechanism may be well suited to a number of commercial corporations, some of the requirements would pose legal challenges to the Organization and would generate costs that might outweigh the savings. A captive insurance company intended to cover risks with significant exposure would be required to have sufficient capital to underwrite such policies.

51. In consideration of the administrative requirements and cost, the need for substantial capital and the specificities of the United Nations that lessen the potential benefits of such a mechanism, the use of a captive insurance company does not appear, at this time, to be in the best interest of the Organization.

VII. Action to be taken by the General Assembly

52. **The General Assembly is requested to take note of the present report.**

Annex

Crisis management and business process recovery timeline: storm Sandy response (planned versus actual)